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INFORMATION REPORT

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COUNTRY Yugoslavia

SUBJECT The Higher Direction of Yugoslav Economy

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The following report is a continuation [REDACTED] which explained the new State organizational structure as affecting State owned property and the present position and functions of the Workers' Councils and the Directive Committees as affecting State owned economic enterprises.

1. The fundamental objects of the reorganization of Yugoslav economy may be summed up as follows:
 - a. Centralized federal direction and strategic coordination of Yugoslavia's economy.
 - b. Retention of federal administrative control over certain key industries vital to the execution of the Five Year Plan and foreign trade.
 - c. Decentralization of economic administration, that is, the delegation of administrative control to the constituent republics of the FNRJ.
2. The reasons for bringing about these changes may be summarized as follows:
 - a. Appeasement of republican nationalism.
 - b. Reduction of a top heavy economic administration; an administration which not only absorbed so much manpower and technical skill on non-productive employment, but which also succeeded in bringing Yugoslavia's economy to the verge of complete collapse.
3. With these objects in view, the government of the FNRJ delegated administrative control of the following industries to the republics:

Textile and shoes
All coal mines
Chemical
Glass
Paper

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Food and canning
Tobacco
Cement
Pharmaceutical
Medicinal serums
Fire-proof materials
Porcelain for electrical industry
Graphite
Federal agricultural holdings
Ferrous and non-ferrous ore mines
Part of the light engineering industry
Part of communications.

4. The Federal Government retains administrative control of the following industries:

Oil
Ferrous and non-ferrous metallurgical industry
Sea and river shipping
Railroads
Posts and telecommunications
Part of the heavy engineering industry

5. In order to carry through this reorganization, the whole structure of the Yugoslav Government was altered. A number of Federal Ministries were abolished, including the Federal Ministries of Agriculture, Forestry, Light Industry, Construction, Trade and Supplies. Now only eleven Federal Ministries remain: the Ministries of National Defense, Internal Affairs, Foreign Affairs, Labor, Liberated Territories, Finance, Posts, Communications, Railroads, Mercantile Marine and Foreign Trade.
6. The most important change of all has been the creation of a supreme economic council called the Economic Council of the Government of the FNRJ. This Council, in turn, controls seven Federal Economic Councils as follows:

Power and Mines Council
Engineering Industries Council
Manufacturing Industries Council
Building Industries Council
Communications Council
Agriculture and Forestry Council
Supplies and Trade Council

7. The Economic Council of the Government of the FNRJ consists of:

The President of the Federal Planning Commission
The Minister of Finance
The Minister of Foreign Trade
The Minister of Labor
The Deputy Minister of National Defense
The President of the Power and Mines Council
The President of the Engineering Industries Council
The President of the Manufacturing Industries Council
The President of the Building Industries Council
The President of the Communications Council
The President of the Agricultural and Forestry Council
The President of the Supplies and Trade Council

8. Among the basic tasks of the Economic Council of the Government of the FNRJ are:
- To coordinate the activities of the Federal Councils.
 - To collate and analyze the economic information provided by the Federal Councils.
 - To prepare the overall plans of Yugoslavia's economy.

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- d. To coordinate the distribution and bulk purchase of all raw materials.
- e. To determine priorities of manpower, raw materials, et cetera, as between the various industries.
- 9. With the exception of the Federal Council of Communications, all the Federal Councils are purely directive organs. The members of the Councils include:
 - a. The Presidents of the corresponding Republican Councils.
 - b. The General Directors of the General Directorates of the non-ferrous metallurgical industry, the oil industry, the iron and steel industries and the engineering industry.
 - c. The Directors of the Committees for Local Industries and Communal Affairs, Exploitation of Water, and the Hotels and Tourist Industry.
- 10. The Federal Council of Communications, on the other hand, is both a directive and administrative council, and includes:
 - a. The Minister of Mercantile Marine
 - b. The Minister of Railroads
 - c. The Minister of Posts
 - d. The Minister of Communications.
- 11. The special directive organs of the key industries still under Federal control are:
 - a. The General Directorate of the Non-Ferrous Metallurgical Industry and the General Directorate of the Oil Industry, both of which fall under the directive control of the Federal Council of Power and Mines.
 - b. The General Directorate of the Engineering Industry and the General Directorate of the Iron and Steel Metallurgical Industries.
- 12. Among the basic tasks of the Federal Councils are:
 - a. To coordinate the activities of the corresponding Republican Councils.
 - b. To collate and analyse economic information provided by the Republican Councils.
 - c. To elaborate the strategic economic plans prepared by the Economic Council of the Government of the FNRJ for the various industries under their respective control.
 - d. To determine the priorities of manpower, raw materials, et cetera, as between the various industries under their respective control.
 - e. To coordinate and determine the distribution of raw materials in the various industries under their respective control.
- 13. By virtue of this system of democratic centralization and administrative or executive decentralization:
 - a. All the Republics participate in the Federal direction of Yugoslavia's economy and, by the same token, all the Republics are bound to follow and execute the decisions of the organs of Federal direction.
 - b. Steps have been taken to ensure that the Federal Councils do not degenerate into Ministries with administrative-operative functions. Thus Federal Councils do not have any administrative, accountancy or executive sections.

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- c. The top heavy apparatus of administrative control has been greatly reduced. The employment of all clerical staffs is now governed by a quota system which lays down the quotas of manpower, wages and ration cards allocated to every administrative organ, whether on a Federal, Republican, local or factory level.
- d. All Republics gain, with the exception of certain key industries and communications, administrative and operative control of industry and agriculture. In this connection, it should be noted that the Republican Councils differ from the Federal Councils in that they are not merely directive organs, but also administrative and operative organs. Since the new laws were passed which provided for greater autonomy to all factories and industrial enterprises, and the creation of Factory Workers' Councils, consideration is now being paid to transforming the Republican Councils from directive and administrative organs into purely directive ones, rather like the Federal Councils though on a lower level.

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